CHANGE IMPERATIVE
Budgeting Process Vision

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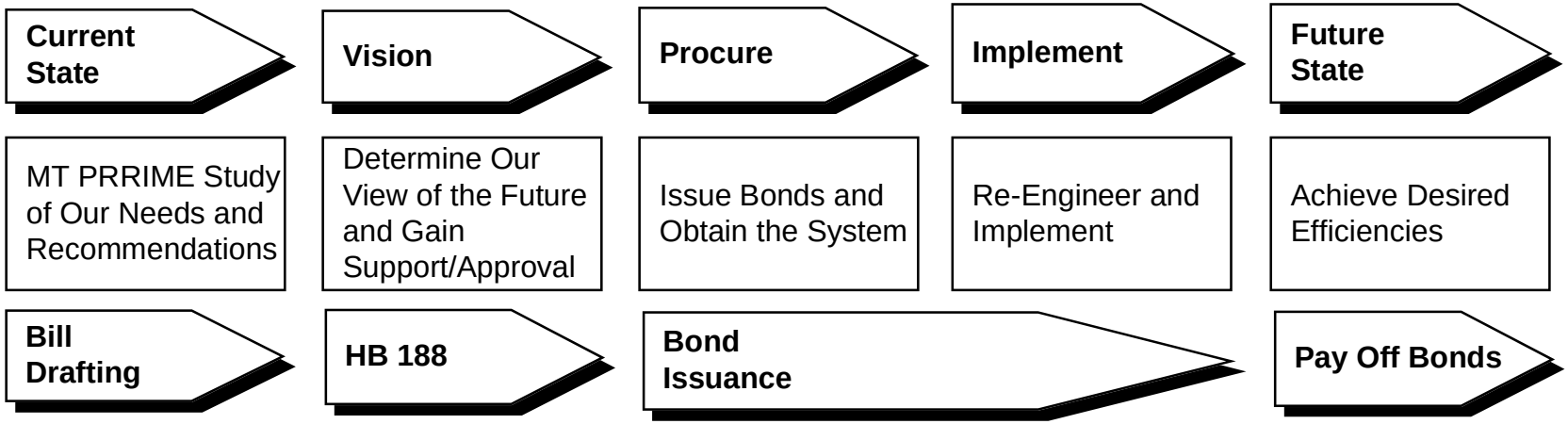
Project Context



- State of Montana operates mainframe-based financial, human resource and asset management applications built 20-25 years ago that are not Year 2000 compliant.
- Current system is failing to meet the needs of State agencies.
- Senate Joint Resolution 23 is the Legislature's decision to re-engineer Montana's information management environment.
- MT PRRIME undertaken to analyze the State's information management environment.
- This phase of MT PRRIME is being undertaken to refine the business case to replace core systems with a third-party, off-the-shelf software solution.

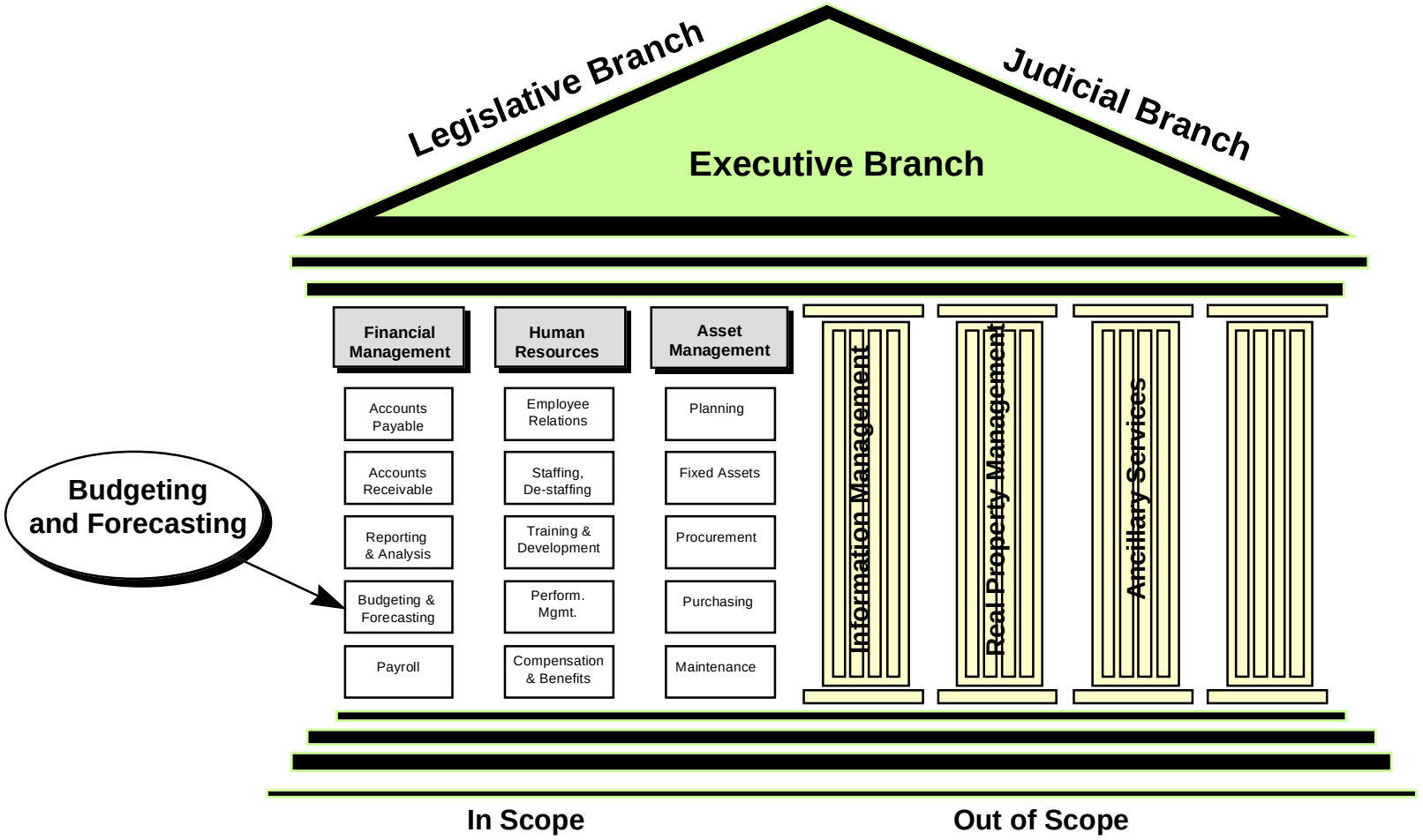
The intent of this phase is to establish an imperative to change based on cost savings from the budgeting, payroll, and accounts payable and purchasing processes.

Project Objectives

- Assess the current processes in the area of budgeting.
- Establish the change imperative for this process.
- Define and develop the vision and concept for the new processes at a level of detail sufficient to guide system selection.
- Define important criteria and values that would guide a systems selection based on a vision for the new processes.
- Where necessary, refine the business case, implementation plan and funding proposal for MT PRRIME.

Project Scope

Review all aspects of the budgetary process within State Government*



*NB - Does not include universities.

Project Scope

- This project encompassed an assessment of approximately 11 agencies representing large, medium, and small operations which together make up approximately 87% of the entire state employee base. OBPP and the LFD were also interviewed.
- The characteristics rather than the specific details of budgeting were studied within the agencies.
- The information gathered from interviews and visits to these agencies is assumed to represent a broad cross section of the State Government.
- Interviews were conducted with a wide range of personnel at different levels from both central functions and program areas.

Work Completed

- Interviewed 36 State employees in 11 State Departments, the OBPP and the LFD and two local private sector enterprises.
- Determined the relative effort and costs required for the development of each departmental budget.
- Calculated the cost for budget development for the State of Montana based on personnel, systems and other cost elements.
- Developed an understanding of the budgetary process and identified major concerns or opportunities for improvement.
- Compiled and reviewed external benchmarking and innovative practice information.
- Sources of documentation included:
  - National Association of State Budget Officers: Restructuring & Innovations in State Management, 1996;
  - Fiscal Survey of States, November 1996. National Governors Association. National Association of State Budget Officers; and,
  - Budget Analysis--1999 Biennium, Overview and General Reference, Legislative Fiscal Division, 1996, p.33, 40, 42.
- Assumptions:
  - Figures do not include university system and Internal Service Fund FTEs moved off budget; and,
  - Average salary and benefits used were $32,000 plus $8,000 in operating costs.

Challenges of State Governments

- States are being challenged to deliver more effective programs with fewer resources while facing increased volumes and complexity. This must be done in an environment where citizens are increasingly skeptical about the ability of government to deliver services
- Governments have made changes in the following areas:
  - Increasing private sector involvement in government, including the use of partnerships.
  - Use of performance measures in budgeting and reporting.
  - Reorganizing government through mergers and consolidations.
  - An increased emphasis on revenue generation and activity based costing.

The State requires improved financial information and enhanced management to meet these challenges.

Challenges of the State of Montana

A review of the current economic forecast for the State revealed the following economic status.

ECONOMIC PERFORMANCE

- The Rocky Mountain region continues to outpace the nation in economic growth fueled by investment in high technology manufacturing. Personal income grew at a rate of 7.1% annually from the 1st quarter of 1995 to the 1st quarter of 1996, well above the national average. The unemployment rate for this region averaged 4.4%, versus 5.4 % nationally.

FISCAL STATUS

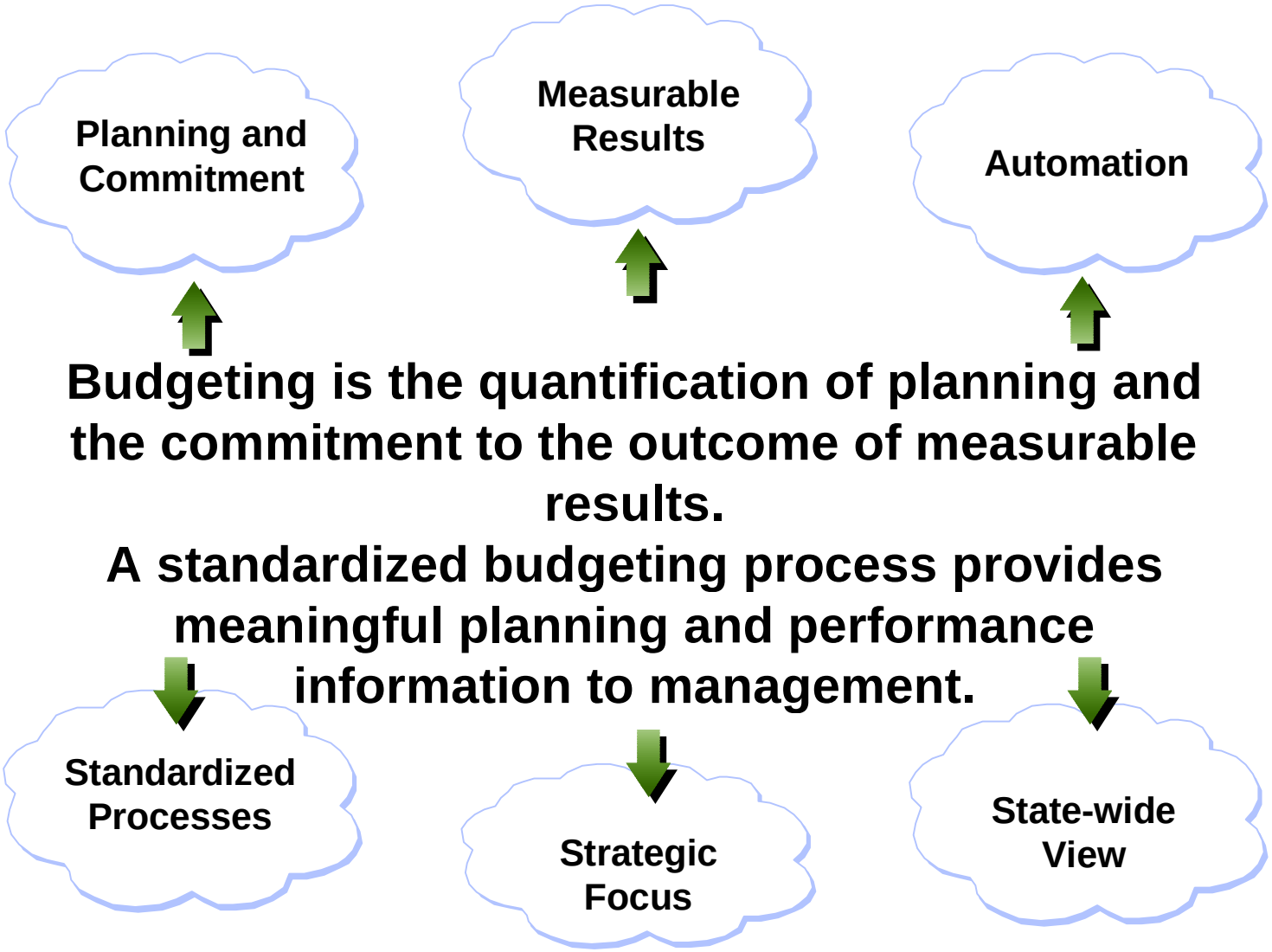
- Montana's total fiscal year-end balances, as a percentage of expenditures for fiscal 1996, forecasts the State to have a fund balance of between 1% to 2.9 %. 36 States had a percentage fund balance greater than 3%.

CHALLENGES TO REVENUES AND EXPENSES

- Fiscal environment that the States have been facing include:
  - Enactment of Federal welfare reform legislation that converts welfare funding from an open-ended entitlement to a fixed block grant to the States.
  - Growth in Medicaid spending is continuing at modest levels after years of double digit growth. Most States have begun to enroll Medicaid recipients in managed care programs.
  - In an effort to reduce personnel costs, many States have reduced the number of positions, or have offered early retirement incentives. States are also instituting pay-for-performance to reward performance.

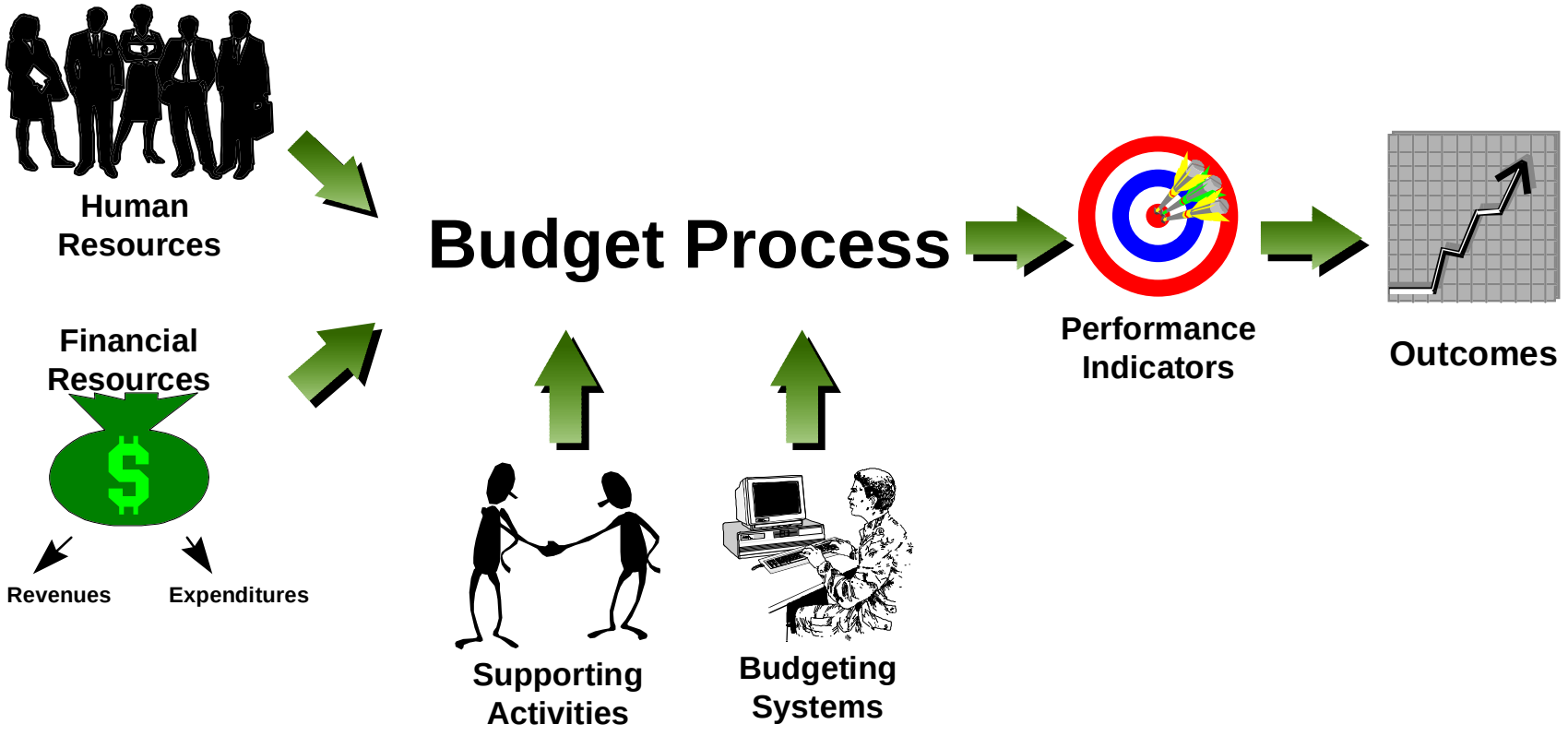
Montana's fund balances have been declining. The State is not building a reserve for periods of fiscal restraint.

The Budgeting Framework - What is Budgeting?



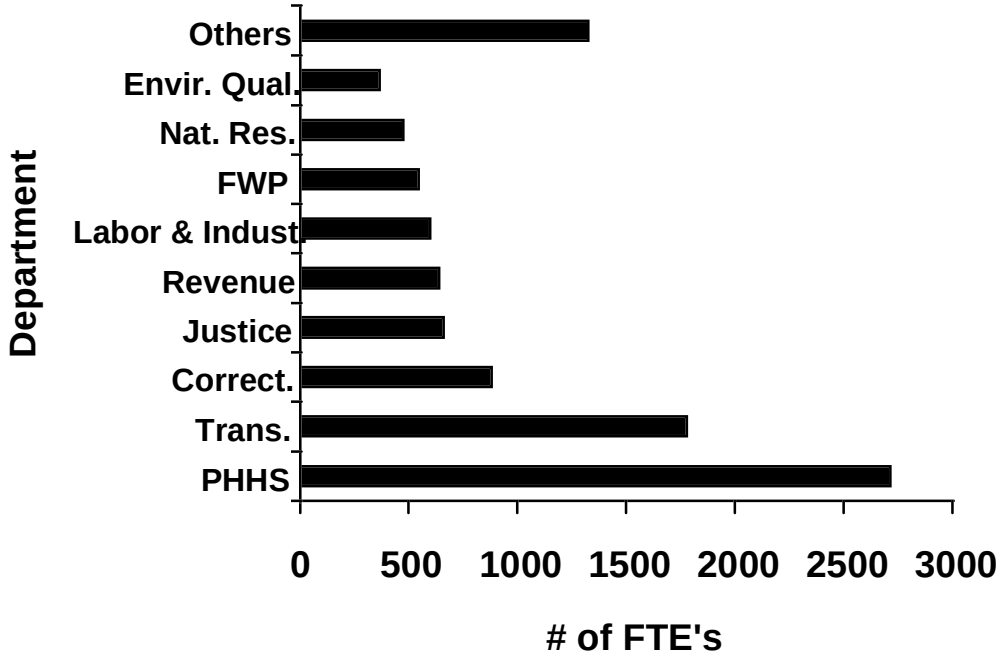
The Budgeting Framework

A budget consists of both financial resources (revenues and expenditures), and human resources. A budget includes performance indicators that support the achievement of outcomes. The production of the budget is supported by systems and supporting activities.



The Budgeting Framework - Human Resources

In order to perform the budgeting function the State needs to allocate, monitor and report on the use of its human resources

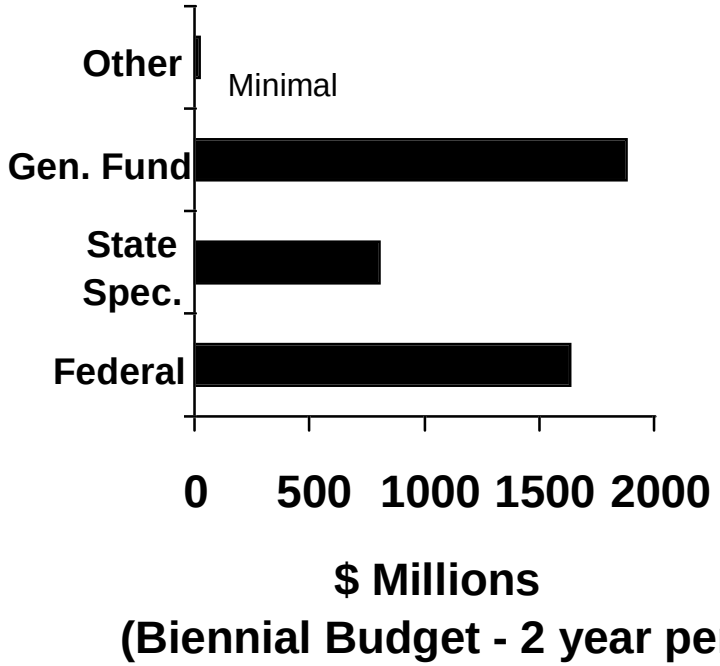


- Nine agencies have 87% of the State's FTEs . The remaining 13% of the FTEs are split amongst 23 agencies.
- Not all agencies allocate their budgets using SBAS.

Large agencies consume significant FTE resources and are more involved in budgeting.

The Budgeting Framework - Financial Resources (Sources)

There are four funding sources in the State of Montana.

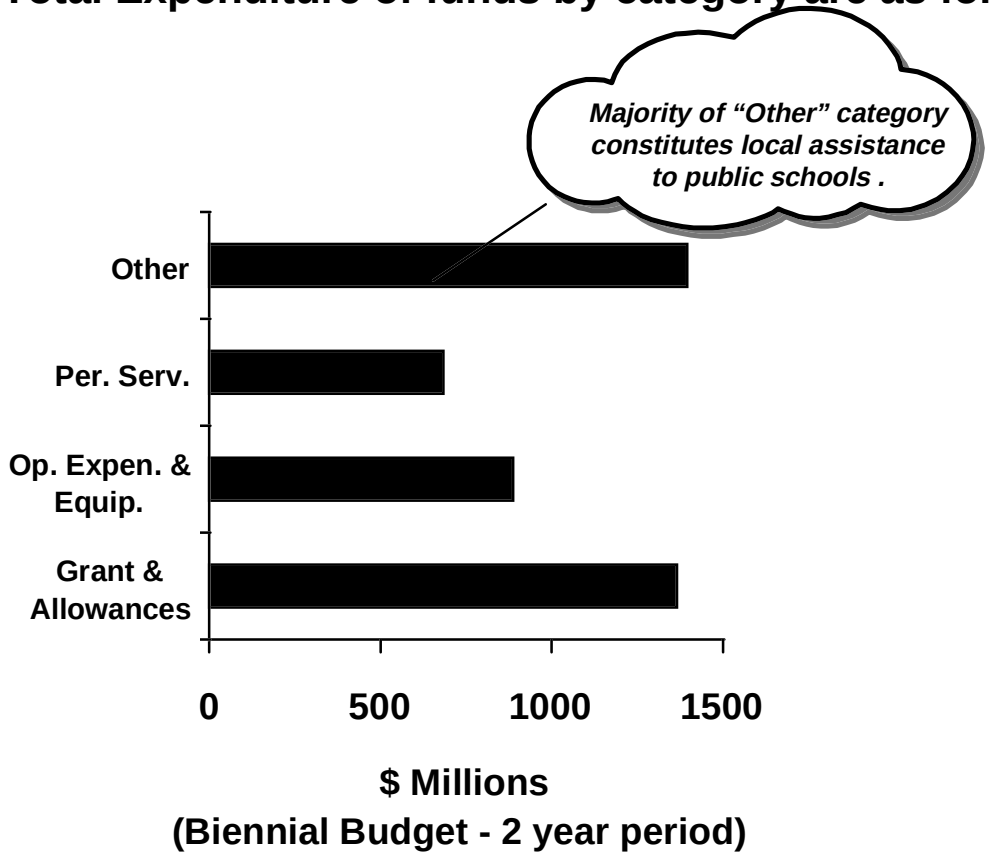


- Agencies compete against each other to justify expenditures from the general fund.
- Larger Departments, such as Transportation and Public Health & Human Services, receive Federal Funding. This necessitates interfaces with Federal Systems and special monitoring provisions to ensure continued funding.
- State Special Revenue Funds are a significant portion of funding particularly for Transportation, Fish Wildlife & Parks and Environmental Quality. Revenue source monitoring for these agencies is of particular significance.

Agencies monitor General Fund spending and have special monitoring needs for State Special Revenue or Federal Funds.

The Budgeting Framework - Financial Resources (Use of Funds)

Total Expenditure of funds by category are as follows:



- Grants and Allowances constitute close to 1/3 of total expenditures; these funds cause special monitoring challenges for Public Health & Human Services and the Office of Public Instruction.
- Although personal services constitute about 1/6 of total expenditures; tracking of FTEs and the authorized salary levels is a special position control requirement.

FTE's, personal services, and grants and allowances must be closely monitored to optimize fund matching.

The Budgeting Framework - Supporting Activities

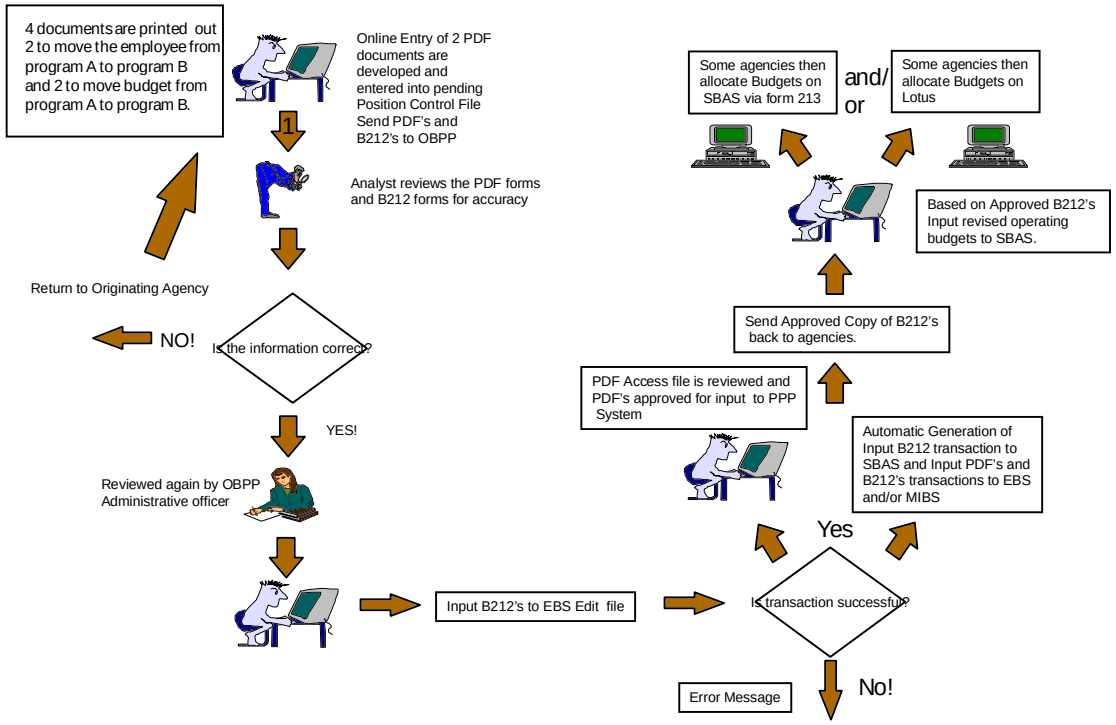
In order to perform the budgeting function, some supporting activities must be undertaken. The efficiency and effectiveness of these activities has a significant impact on the success of the overall budget process.

Data Capture	Data Transformation	Information Delivery	Customer Support	Business Control
•Acquire data from General Ledger or consolidation system. •Acquire data from accounting subsystems or sources. •Acquire data from other internal business systems or sources. •Acquire data from other external information systems or sources. •Validate data.	•Translate/convert data into a common format for manipulation. •Prepare standard pre-formatted reports. •Analyze results. •Prepare specialized reports. •Store data and information for delivery.	•Deliver predefined hard copy reports. •Deliver predefined electronic reports. •Deliver information to electronic source for user inquiry.	•Update reporting requirements and reports. •Educate customers in budgeting and reporting services, policies and tools. •Provided specialized and ad-hoc reporting for management as requested.	•Education of budgeting and reporting requirements. •State financial performance. •Supporting reporting infrastructure. •Maintain reference.

Agencies require timely, accurate and relevant information to budget effectively, supported by consistent advice and tools. The State also needs access to improved financial information.

The Budgeting Framework - Supporting Activities ("As Is" Process Illustration)

Here is an example of movement of one position and budget from Program A to Program B.



- In this example, there are a total of five people and six separate forms with five to six points of input and re-keying of information.
- There is some level of automation but much of this is duplicated.
- There are numerous points of review which duplicates efforts and diffuses accountability.

Duplication of effort, re-keying of information and numerous points of review mean increased costs and cycle times.

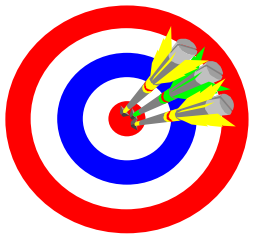
The Budgeting Framework - Budgeting Systems

- In order to perform the budgeting function, there needs to be supporting information systems in place.
- The State of Montana operates mainframe-based applications built 20-25 years ago that are not Year 2000 compliant.
- Many existing systems have been developed in isolation. Limited integration among systems means fragmented information.
- Existing systems do not provide the full range of budgeting functionality, such as in the area of strategic planning and do not meet the needs of agencies.
- New investments in systems are being made (i.e. MIBS, position control, EBS and PSDM).

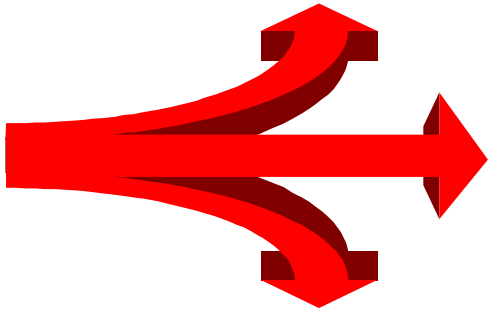
Largely independent systems do not fully support budgeting and result in fragmented information.

The Budgeting Framework - Performance Indicators and Outcomes

- Performance-based budgeting is being piloted in sixteen state programs where agencies are linking goals and objectives to performance measures.
- Many states have instituted such practices as performance based budgeting, program reviews and linkages between performance measures and budgeting/accounting.



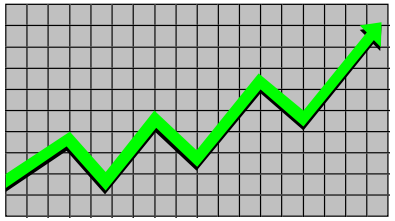
Performance Indicators



ECONOMIC PERFORMANCE

FISCAL STATUS OF THE STATE

PROGRAM OBJECTIVES

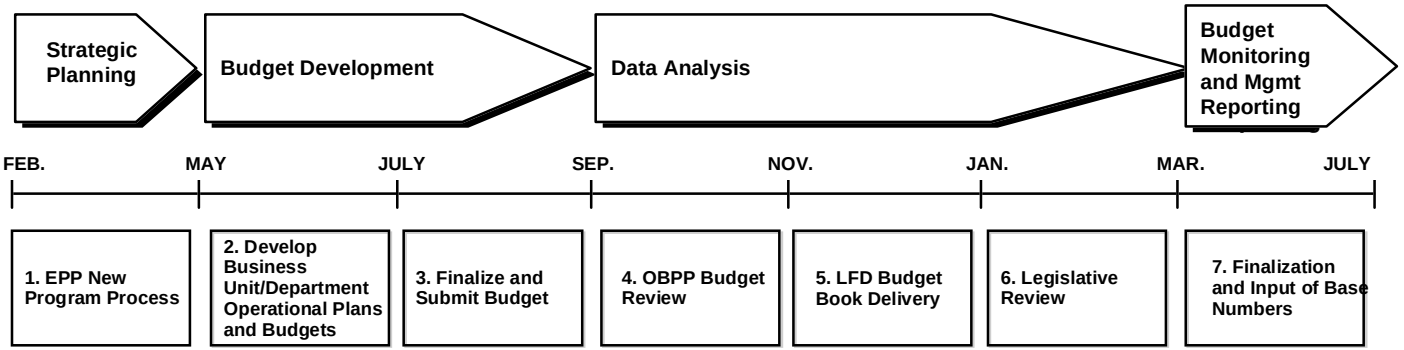


Outcomes

The public sector is beginning to introduce performance indicators that will be linked to outcomes.

The Budgeting Process and Timeline

The State of Montana has a budgeting process consisting of four sub-processes. The budget period is two years and budget preparation takes 18 months.



- New programs, New Services - Workload Increases - on going budget amendments and funding issues are developed
- New EPP issues are reviewed by OBPP and LFD

- Base year budget is established
- PPP snapshot provided for budgetary purposes
- Revenue estimate update developed

- Budget instructions sent to agencies
- Budget Request Package, scheduled inflation rates, schedules on fixed and indirect costs sent to agencies
- All budget requests in final form submitted to OBPP - goals, objectives and performance indicators are submitted

- OBPP review - conferences with agencies on budgets and agency meetings with OBPP and governor are scheduled to resolve issues

- Governor's budget book and Legislative Budget Analysis prepared and sent to printer
- Legislative estimates developed by LFD and received by OBPP
- Position Control
- SBAS control

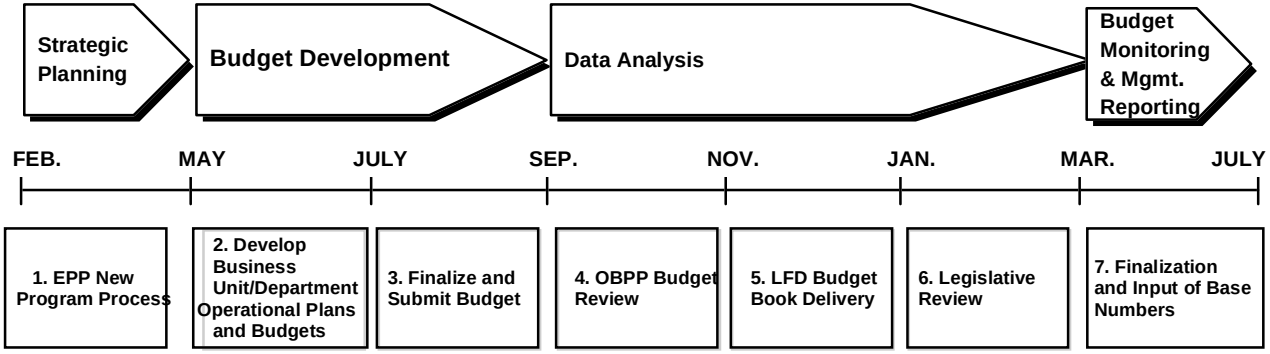
- LFA Budget Analysis submitted to Legislature and agencies
- Budget assigned to subcommittees
- Budget Bill passed and House Bill 2 developed.

- Final Fiscal year numbers are available
- Appropriations developed for each agency
- Annual turn around document developed
- Proprietary Funds

The biennial budget process takes 18 months which is almost the entire period of budget execution.

The Budgeting Process - Responsibilities

The process is characterized by the involvement of many departments across the branches of government.



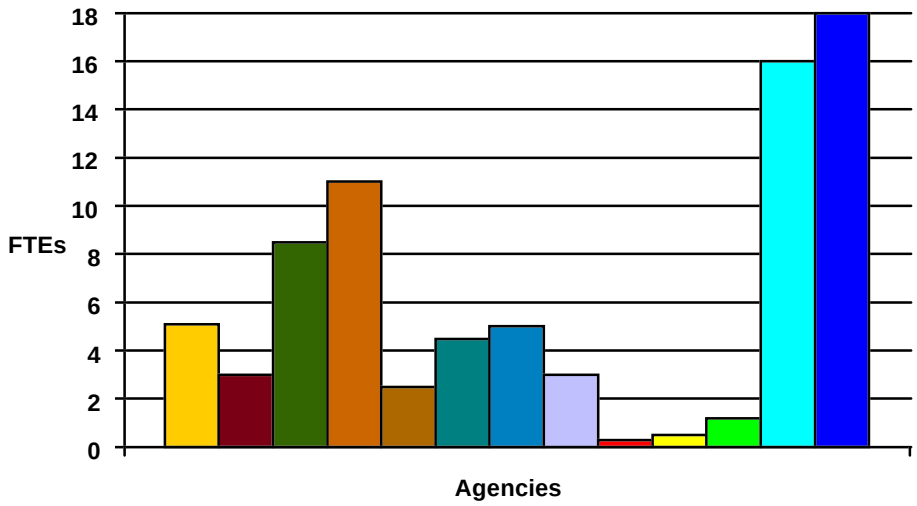
DEPARTMENT — **Areas of Significant Effort by Department**

DEPARTMENT							
Legislature						✓	
LFD					✓	✓	✓
OBPP	✓		✓	✓		✓	✓
Agency Coord.	✓	✓	✓			✓	✓
Prog. Admin.	✓	✓				✓	✓

Numerous departments have multiple roles which duplicates effort and creates confusion.

The Budgeting Process - Size (FTE's)

Through the interview process, estimates were derived of the number of FTE's involved in the budgeting process.

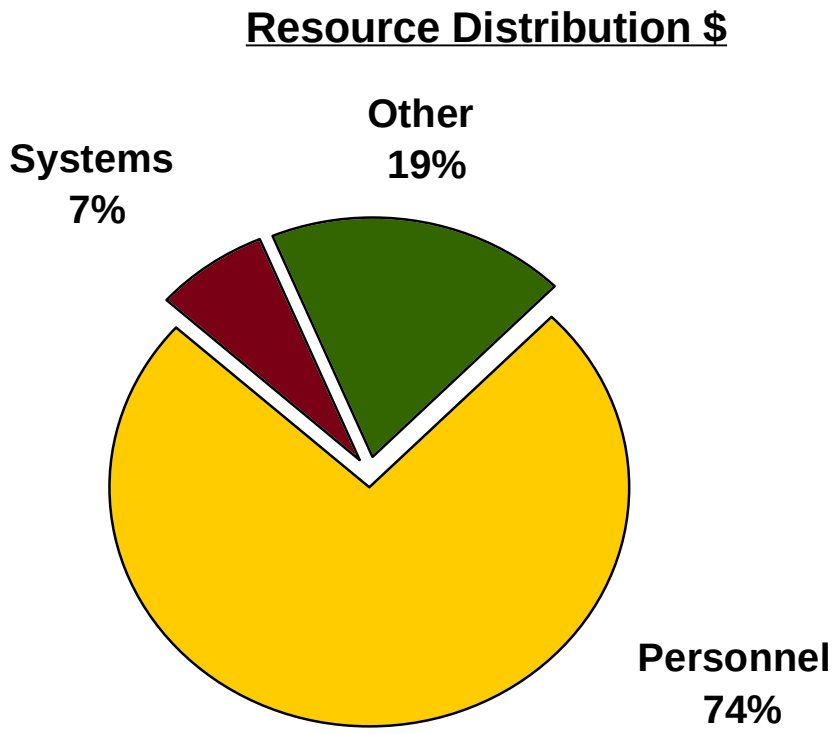


- Of the State departments that were surveyed, 110 FTEs were identified as being dedicated to the budgeting process, for a total of approx. 200 FTE's involved in some or all aspects of budgeting.
- Although some of the larger agencies have more FTEs there may be differences in levels of budgeting support across agencies.
- The cyclical nature of the budgeting process means there are shifting requirements for FTE's over the course of the cycle.

110 FTEs are dedicated to the budgeting process, with significant effort focused on administrative activities.

The Budgeting Process - Allocation of Funds

The different cost components of budgeting were estimated.



The budgeting process is highly labor intensive.

The Budgeting Process - Cost Benchmark Comparison

- Information on other states and the private sector was collected and used to assess the State of Montana's performance in budgeting.
- The estimated cost of budgeting in the State of Montana is $6.5 million.
- A comparison to selected organizations is illustrated below:

Organization	Budgeting Cost ($cost per $000 revenue)
Washington Corp.	0.53
Montana Power	1.19
Montana State University	2.50
State of Montana	4.90

Montana has a high level of FTE support and higher costs than some public and private sector enterprises.

The Budgeting Process

The budgeting process is labor intensive with a focus on tasks that are highly administrative. There is limited system support and inadequate functionality.

People

- 200 Employees involved
- 110 Dedicated FTEs
- Fluctuating workloads
- Focus is on administrative tasks
- Duplication of responsibilities

Process

- Many approvals
- Lengthy cycle
- Duplication of effort
- Paper-based and labor intensive
- High cost

Systems

- Not integrated, duplicate entry
- Parallel systems maintained
- Limited functionality, user friendliness

The Budgeting Process - Current Innovative Practices at the State

Agencies have introduced a number of innovative practices that are resulting in improvements.

PRACTICE	BENEFIT	RESOURCES
Development of Oracle databases	Makes queries and manipulation of data possible	Funding, systems and data
Position control tracking mechanism	Maximizes availability of federal funding. More efficient use of human resources	Funding, systems and data
Performance-based budgeting (on trial)	Better understanding of value and use of resources, and their delivered outcome	Common metrics and monitoring capability
Bottom up process--Many involved in budget development	High degree of involvement and ownership with the final outcome	Tools and individuals who are involved in budget development
Career path movement possible between budget offices and the agencies	Knowledgeable workers bring their understanding and background to different areas of government	Willingness of managers to share resources across departments

Innovative practices have resulted in better budgeting but these are not shared across agencies.

Common Themes

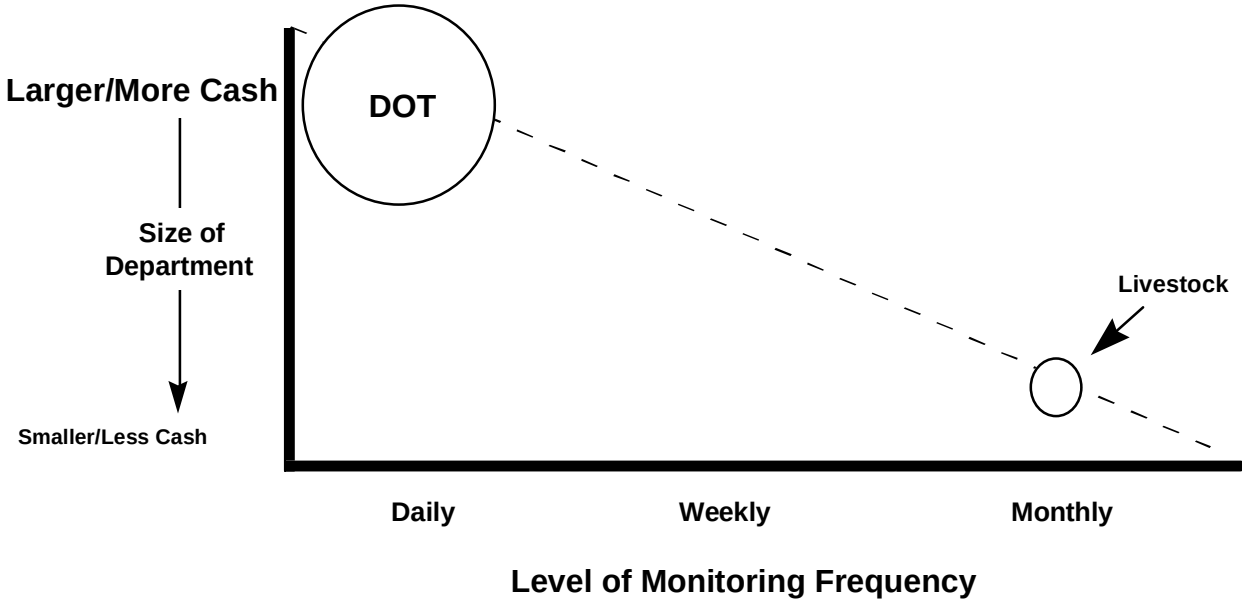
Over the course of our interviews, several themes emerged:

- Monitoring requirements vary by department.
- Adjustments require paper authorization and manual input to comply with current procedures.
- Key events requiring administrative duties occur at a single period in the year, creating bottlenecks in the process.
- Standard SBAS reports are inadequate to meet user needs.
- Forecasting tools are inadequate for projection monitoring purposes.
- Information is created and stored in isolation and is not easily transferable between departments.
- Reporting is a challenge due to the complexity of the operating environment.

Each of these themes is discussed on the following slides.

Monitoring Requirements Vary

- Departments have differing requirements for monitoring, depending on the number of funding sources and their forecasting needs.
- The cash needs of larger departments may require daily monitoring of expenditures. Other departments with few funding sources and low transaction volumes may require monitoring only on a monthly basis.
- There is limited State-wide reporting on financial status (i.e. accounts receivable).

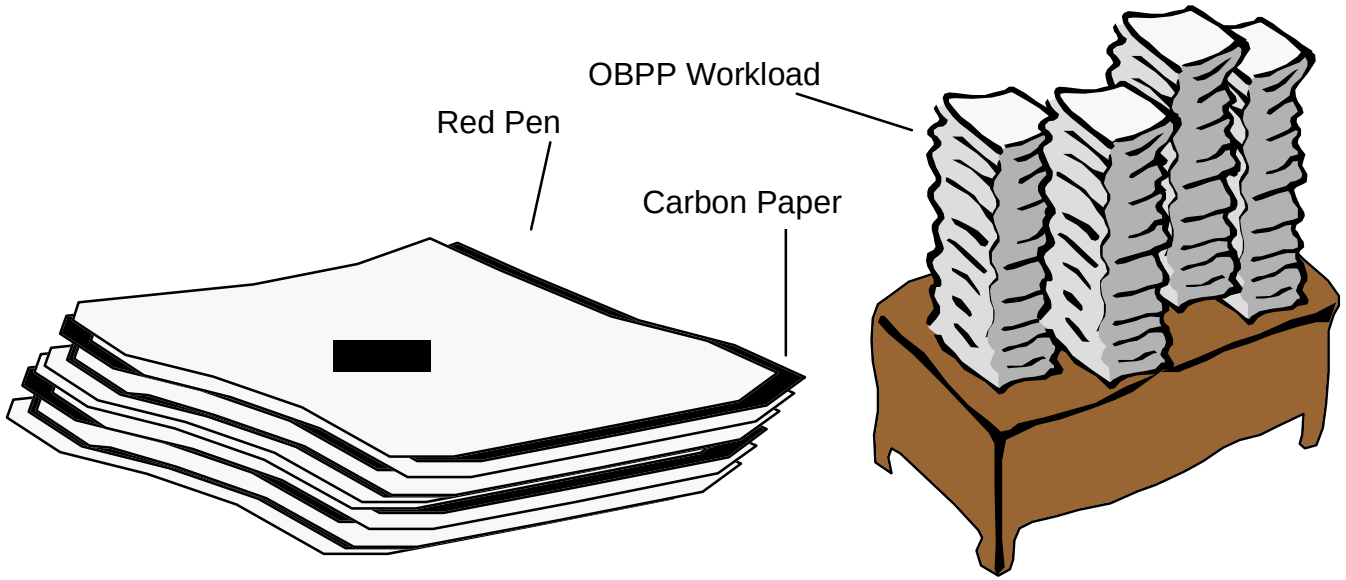


- **DRIVERS:**
  - Number of funding sources
  - Forecasting needs
  - Cash flow
- **REPORTS:**
  - SBAS
  - Spreadsheets
  - Other agency systems

Larger departments often need daily monitoring and more detail than those departments with fewer fund sources.

Adjustments require Paper Authorization and Manual Input

There are numerous input requirements which could be simplified.



DOCUMENTS

- EPP Requests
- Position Description Forms
- Turnaround Documents
- Appropriations
- Revenue Estimates
- Position Control Snapshot
- Reverted & Continuing Appropriations
- Operating Plans
- Appropriation Allocations
- Budget Amendments
- Program Transfers

Many adjustments are manually channeled through one FTE which creates a bottleneck.

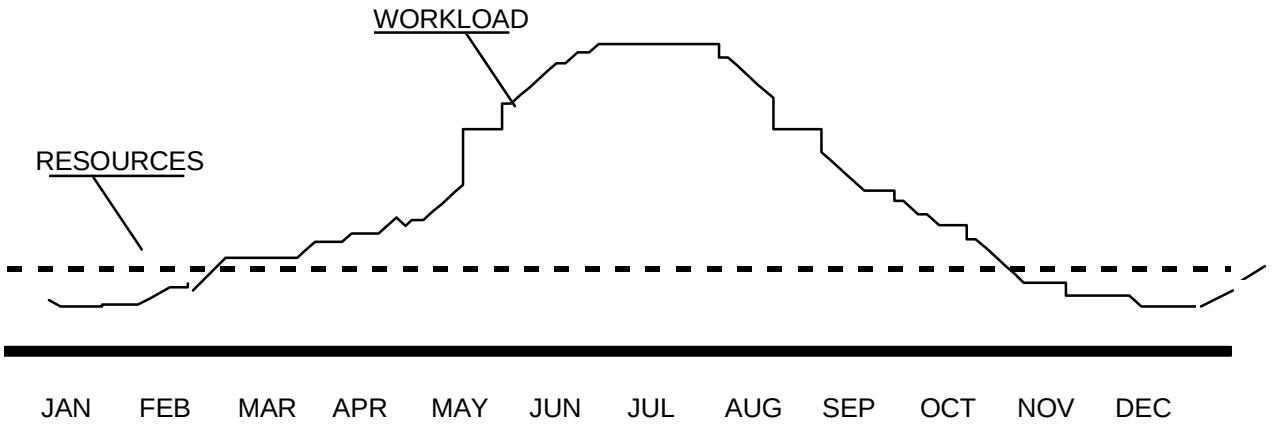
Workload Fluctuations Create Bottlenecks and Increase Costs

KEY EVENTS

- PPP Snapshot
- Fiscal Year-End
- Appropriations
- Revenue Estimates
- Responsibility Centers
- Operating Plans
- Budget Allocations
- Turnaround Documents

RESULTS

- Heavy Workload
- Excessive Overtime
- Risk of Burnout
- Bottlenecks



The nature of the budgeting cycle creates extreme fluctuations in workload resulting in excessive overtime, bottlenecks and burnout.

Standard Reports are Inadequate

Departments have differing needs for types of data, format and level of detail, in order to effectively manage their operations.

- Managers are limited by existing systems which simply do not allow them to respond effectively, particularly when they need to address ad hoc requirements.
- No ability to integrate information from the SBAS and the budgeting systems.
- Costs associated with reconciliation of data from different systems.

Managers need improved standard reporting capabilities, easy-to-use query tools and data sharing capabilities.

Forecasting Tools do not Meet Requirements

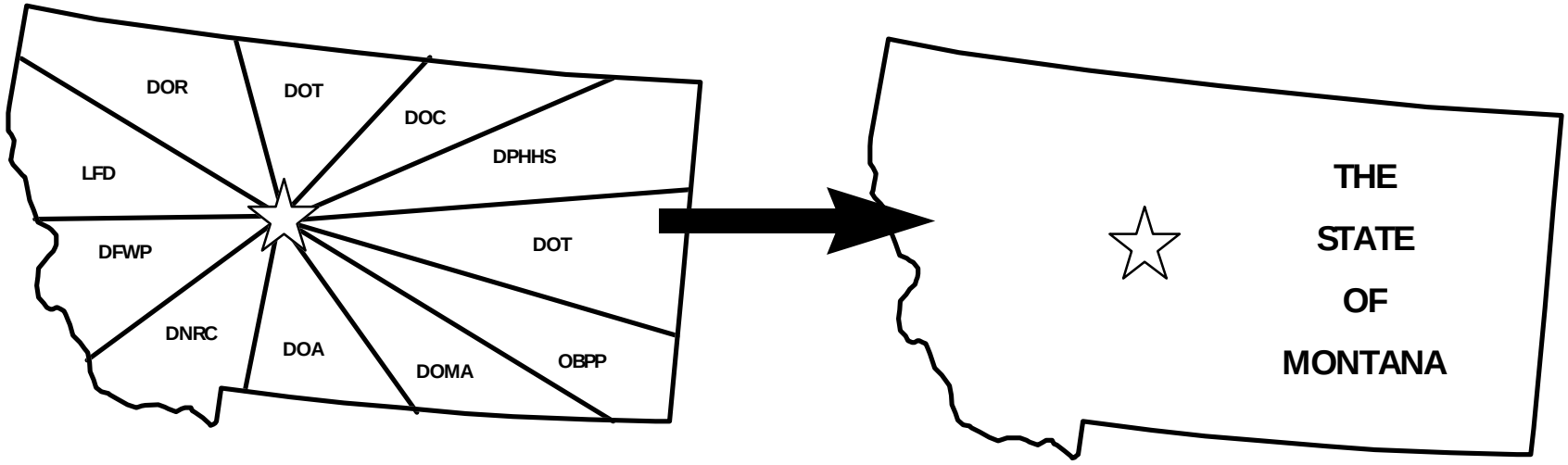
Strategic planning and forecasting is limited and not adequately supported by tools and systems.

- There is a lack of strategic unity among agencies.
- For most agencies, strategic planning occurs during the biennial EPP process and typically covers only two years.
- Limited historical data is available for forecasting future operational needs.
- Inability to forecast creates the requirement for large cash balances to cover unforeseen events. This means less than optimal cash management.
- Monthly monitoring is not generally initiated until at least three months into the year.

Managers do not have the necessary forecasting and projection tools to monitor their operations

Information is not Easily Transferable

Information is not readily accessible. Sharing of information is based on personal relationships and communications, rather than a facultative infrastructure.



Data sharing is very limited which increases costs and which may result in less cohesion in State responses to queries.

Reporting is a Challenge because of Complexity

Various reporting entities and different reporting periods present a real challenge.

	STATE GOVERNMENT	FEDERAL GOVERNMENT
ENTITIES		
REPORT PERIODS	*State Fiscal Year *Multi Year Projects	*Standard Federal Fiscal Year *Variable Federal Grant Years *Multi Year Federal Grants

Complexities need to be recognized and addressed to improve reporting.

Innovative Practices Research

- MT PRRIME contacted other states (Idaho and North Dakota) in the region, other public entities (MSU - Bozeman), and private enterprises (Washington Corp. and Montana Power Company) to provide a comparison between organizations.
- Contacts were initiated at four subsidiaries of the Washington Corporation: Modern Machinery, Western, Montana Rail Link and Montana Resources. Revenue for these four organizations totals $188 million, representing approximately 1,500 employees.
- We have categorized these findings into the dimensions of systems, information, process, and people.

Innovative Practices Research - Systems

North Dakota (ND)

- Recently implemented a new system by hiring a consultant who was familiar with the State's accounting system. The Statewide Integrated Budget and Reporting system (SIBR) cost $700,000 (system cost of $400,000 and hardware, upgrade and staff time costs of $300,000). SIBR is a windows driven system that uses a client server platform.
- Implementation time - 18 months.
- Addressed the year 2000 issue by estimating costs to each agency and hiring 20 to 30 temporary programmers.

Montana State University (MSU)

- MSU recently implemented a system, based on an Oracle database using Powerbuilder and Visual Basic. Not all users have been upgraded to allow for system input.
- Implementation time - .50 FTE over 3 years.

Idaho (ID)

- Recognized its need to upgrade its DOS - based budgeting system and is currently involved in the bid process. In some areas, they are on a par with Montana.
- All agencies are being linked by fiber.

Organizations are implementing budgeting or sophisticated accounting systems to address issues related to cost, quality and Year 2000.

Innovative Practices Research - Information

North Dakota (ND)

- 10 standard reports are available. Report writing system available for customization.
- Inquiry function available to legislators and the general public.
- Performance based budgeting capabilities.

Montana State University (MSU)

- Improved accuracy of information, elimination of typographical errors.
- online flagging of department overspending and finalization of program budgets impossible unless revenue and expenses match.

Idaho (ID)

- Budget system independent of the accounting system (STARS).
- All but one agency provide their annual budget manually following a required format.
- Agency budgets re-keyed at budget office.

Montana Power Corporation

- Budgeting system is separate from accounting system. Budgeting is prepared utilizing Pro Screen software and is re-keyed into Oracle.

There is an increased focus on accurate information that can be customized and used to manage and make timely decisions.

Innovative Practices Research - Process

North Dakota (ND)

- SIBR fully integrated with accounting system and all SIBR forms and reports are linked. Monthly download from accounting and payroll systems into SIBR.
- Legislatively approved budget uploaded into accounting system without re-keying.

Montana State University (MSU)

- Information requests and professor reappointment process completed in 1/3 of time.
- Multiple sources of funding require tremendous effort to track.

Idaho (ID)

- Budget supplements are obtained online. The agency enters the document, calls the budget office and explains the situation, then receives online approval if appropriate.

Washington Corp.

- Utilize J.D. Edwards Corporation accounting software; budgeting module is not used to capacity.
- Departments provide hard copy of budget figures to the Accounting Department for compilation.
- Budget development is a 6 month cycle for a total development cost of $100,000.

Washington Power Corporation

- Utilizes various software packages such as Excel and Pro Screen
- Separate groups (utility and non-utility) provide budget information to central budget staff.

Trend toward integration of operational and financial information to improve management decision making.

Innovative Practices Research - People

North Dakota (ND)

- No jobs were eliminated - overtime for budget analysts dropped from 400 to 100 hours.
- Overall, very high satisfaction was reported.

Montana State University (MSU)

- Approximately 4 FTE are involved in the budgetary process. Very little processing time for the 175 users in the field.
- Overtime dropped dramatically for the administrative coordinator.
- Users are very satisfied.

Idaho (ID)

- State has approximately 88 agencies with at least 80 - 100 people involved in budget development.

Washington Corp.

- Individuals involved in the budgeting process at the organization level totaled 34, however, total effort added up to less than 1 FTE.
- Individuals involved at the Accounting Department level totaled 9 with FTE equal to 1.

Shift of human resources from transactions to value-added activities. Less duplication means less overtime and improved client satisfaction.

Opportunities - Innovative Practices

This is a summary slide of the budgeting process of the State, highlighting key characteristics and suggesting potential best practices.

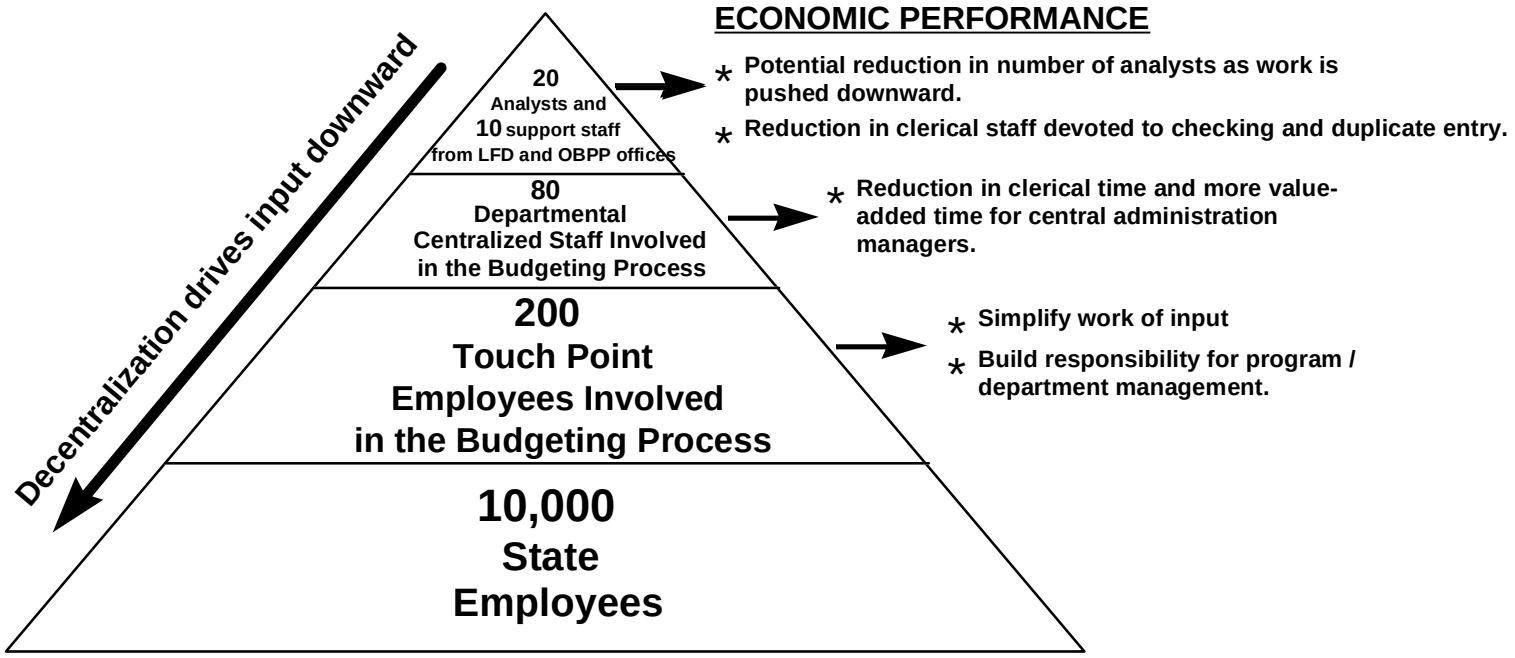
Strategic Planning	Budget Development	Data Analysis	Budget Monitoring and Management Reporting
* Limited formalized effort ($/human resource) * Biennium process--EPP--Zero based. * Goals--Mission of individual Depts. have been formalized	* Combination of decentralized input and centralized formatting and analysis * Highly manual, input process approx.. 30-40 FTEs * No standardization of forms	* Responsibility of OBPP and LFD Limited amount apparent in the agency budgeting process	* Mixed monitoring responsibilities for funding, human resources, expenses * Low-value clerical work--No standard monthly or quarterly reporting across the state

BEST PRACTICES **(Montana Organizations/Other State Governments**

* Multi year expenditure forecast (26 States) * Program management strategic planning sessions	* Efficient * One-time entry * Highly automated * Data warehousing * Checking done by system * Shorter time frame	* Analysis and review at the agency level * "What if" analysis * Scenario planning	* Standardized monthly reporting visible from system * Ad hoc reporting on demand

Opportunities - Budget Development

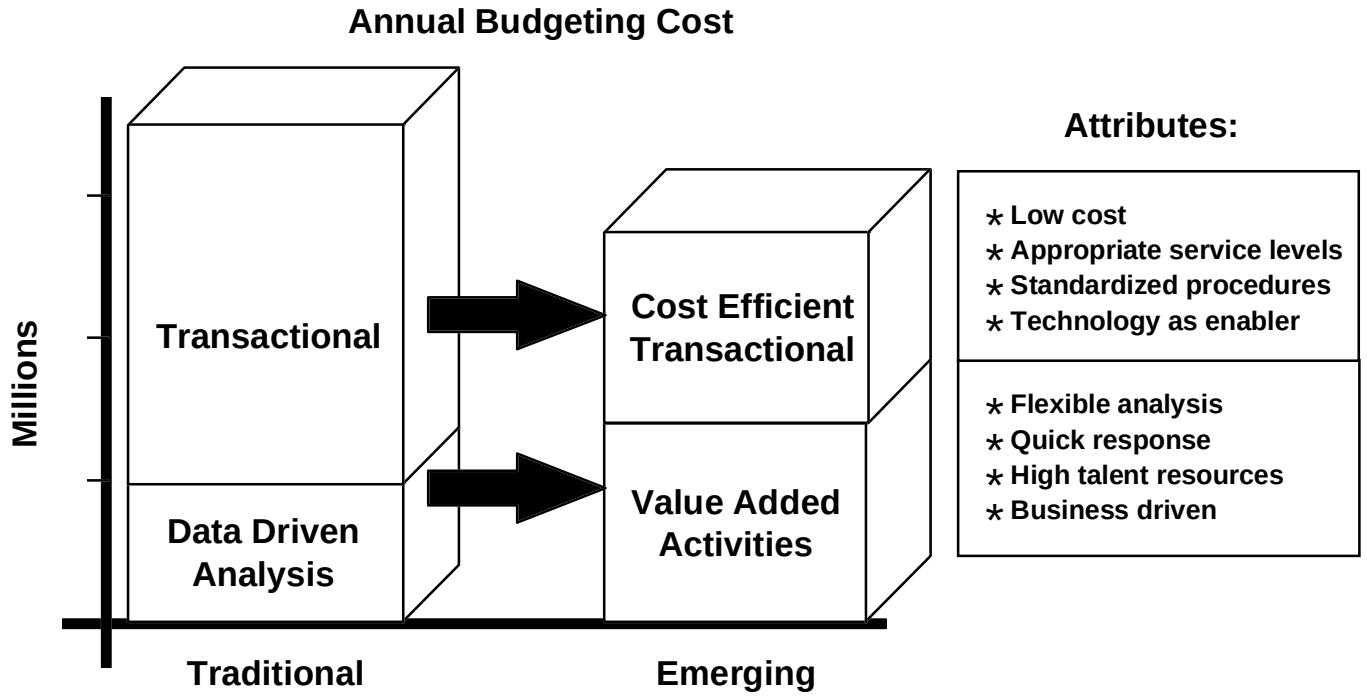
This shows budget development of the State, illustrating the hierarchy and level of involvement of employees.



Agencies indicate a willingness to decentralize budget input and support data entry at the source.
Budget responsibility remains decentralized

Opportunities - Shift in Strategy

The bulk of the State's budgeting resources are consumed by transactions and there is a limited amount of resources devoted to value-added activities.



World-class financial organizations are reducing transaction costs and focusing on value-added activities.

Opportunities for Client Service Benefits

Better citizen access to information.

- Easier, faster response to ad hoc public queries.
- Single point of interaction for citizens--reduce time spent.
- Improved public access to State budget.

Improved service to legislators.

- Easier, faster response to legislative queries.
- More flexible reporting for ad hoc queries.
- Improved legislative access to State budget.

Improved service and accessibility.

Opportunities for Agency Management Benefits

Performance Management

- Enhanced performance management using better information and systems support.

Increased Accountability

- The State to the legislature.
- The State to the public.

Integration and Automation

- Improved integration of information and systems will enable agencies to manage their operations more effectively.
- More timely request of budget changes that will allow for more analysis and decision making time.
- Increased efficiency of allocation process.

Enhanced decision-making and accountability.

Opportunities for State Management Benefits

State-Level Analysis

- Increased ability to perform Statewide analyses
- Increased ability to obtain management information directly from centralized systems
- Timely review of EPP documents.
- Improved interaction between OBPP and agencies.
- Timely sharing of budget information between agency and OBPP.

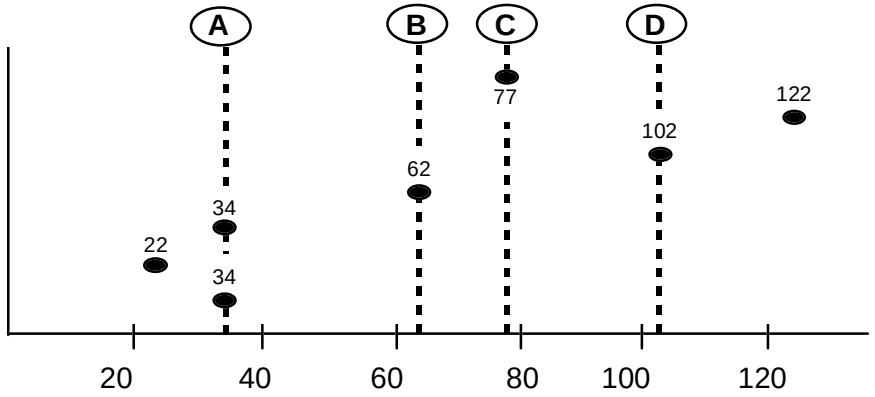
State-Level Finance

- Increased emphasis on analysis and management by fiscal managers and analysts that could potentially result in better decision-making.

Greater focus on the State's complete financial picture.

Opportunities for Cost Savings

DPHHS
Montana*
North Dakota
Idaho
Montana Power
Washington Corp.
IMA Midpoint**



BUDGETING FTEs PER $2 BILLION OF BUDGET***

POTENTIAL COST REDUCTION FOR FEWER BUDGETING FTEs

- Scenario A: 122 - 34 =88 FTEs X $40,000 =$3,520,000
- Scenario B : 122 - 62 =60 FTEs X $40,000 =$2,400,000
- Scenario C: 122 - 77 =45 FTEs X $40,000 =$1,800,000
- Scenario D: 122 - 102 =20 FTEs X $40,000 = $800,000

NOTES:
* Montana's annual budget runs about $2 billion--therefore data was factored on that basis.
** IMA midpoint survey results of private sector enterprises > $1 billion.
*** Average salary and benefits used were $32,000 plus $8,000 in operating costs.

Potential cost savings range from $800,000 to $3.5 million.

Opportunities for Other Cost Savings

- Avoid redundant costs of agencies duplicating the reproduction and maintenance of core information.
- Avoidance of the Year 2000 systems enhancement costs.
- Reduced costs incurred by agencies in developing and maintaining customized or agency-specific budgeting systems.
- Reduced duplication of effort in keying data - agencies spend approximately 25% of budget process time re-keying information for their internal budget analyses.
- Reduction of paper copies and storage costs that will save operating costs.
- Compensatory time can be decreased (OBPP and LFD). North Dakota compensatory time decreased by 75% after their new system was implemented.

Cost avoidance is one form of savings.

Summary

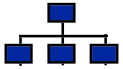
The following is a summary of the findings, based on issues associated with the existing process and performance relative to other organizations.

Process -- Comprised of low-value tasks that are labor intensive

Technology -- Obsolete with limited useful life and lacking integration

Information -- Mismatch between financial reporting and management information

People -- Overspecialized, overworked and undersupported



Structure -- Accountabilities and responsibilities are not well matched

Costs -- High by industry standards

Strategy -- Financial management processes: inhibitor vs. enabler